

CITY OF LEBO, KANSAS

**Financial Statements for the
Year Ended December 31, 2011
And Independent Auditors' Report**

CITY OF LEBO, KANSAS

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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and City Council
City of Lebo, Kansas

We were engaged to audit the accompanying financial statements of the City of Lebo, Kansas (City) as of December 31, 2011, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

The City has elected not to adopt the provisions of the Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments; Statement No. 37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

As described more fully in Note 1, the City prepares its financial statements on a basis of accounting prescribed by the Kansas Division of Accounts and Reports to demonstrate compliance with the cash basis laws of the State of Kansas, which basis differs from generally accepted accounting principles.

In our opinion, because of the effect of the matters discussed in the proceedings paragraphs, the financial statements referred to above do not present fairly, in conformity with generally accepted accounting principles, the financial position of the City of Lebo, Kansas, as of December 31, 2011, or the results of its operations for the year then ended.

The supplemental schedules for the year ended December 31, 2011, listed in the foregoing table of contents are not necessary for a fair presentation of the financial statements, but are presented as additional analytical data. Such information, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole on the basis of accounting described in Note 1.

Michael D. Peroo, CPA, PA

May 24, 2012

CITY OF LEBO, KANSAS

SUMMARY OF CASH RECEIPTS AND DISBURSEMENTS YEAR ENDED DECEMBER 31, 2011

	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
General Fund	\$ 377,673	\$ 444,116	\$ 428,444	\$ 393,345
Special Revenue Funds:				
Economic Development Fund	105,656	35,938	63,246	78,349
Law Enforcement Fund	11,675	749		12,424
Employee Benefit Fund	1,887	38,127	33,283	6,732
Special Highway Fund	3,956	24,179	20,739	7,396
Special Liability Fund	3,643	1,919	2,023	3,539
Special Park and Recreation Fund	63,886	39,411	79,545	23,752
Capital Project Funds				
Capital Improvement Reserve	45,000	40,000		85,000
Municipal Equipment Reserve	50,000	15,000		65,000
Enterprise Funds				
Gas Fund	242,929	251,105	249,776	244,258
Water Fund	137,246	215,758	225,087	127,916
Sewer Fund	190,291	71,024	77,169	184,146
Solid Waste	18,427	53,781	54,051	18,156
Total Reporting Entity	\$ <u>1,252,270</u>	1,231,106	1,233,362	\$ <u>1,250,013</u>
Less Transfers:		85,000	85,000	
Net Receipts and Disbursements		<u>1,146,106</u>	<u>1,148,362</u>	

COMPOSITION OF CASH:

Farmers State Bank Bank of Aliceville - Operating Account	\$ 3,959
Farmers State Bank of Aliceville -Savings	906,559
Farmers Sate Bank of Aliceville - Debit Card	91
Farmers State Bank of Aliceville - Economic Development	78,348
Farmers State Bank of Aliceville - Utility Deposit Savings	11,036
Tightwad State Bank - Certificate of Deposit	250,000
Cash Drawer	20
	<u>\$ 1,250,013</u>

CITY OF LEBO, KANSAS

SUMMARY OF CASH DISBURSEMENTS - ACTUAL AND BUDGET YEAR ENDED DECEMBER 31, 2010

	Cash Disbursements	Budget	Variance Favorable (Unfavorable)
General Fund	\$ 428,444	\$ 869,110	\$ 440,666
Special Revenue Funds:			
Law Enforcement Fund		36,441	36,441
Employee Benefit Fund	33,283	39,750	6,468
Special Highway Fund	20,739	28,765	8,026
Special Liability Fund	2,023	6,400	4,377
Special Parks and Recreation Fund	79,545	117,735	38,190
Enterprise Funds:			
Water Fund	225,087	349,315	124,228
Sewer Fund	77,169	253,400	176,231
Gas Fund	249,776	594,659	344,883
Solid Waste Fund	54,051	73,523	19,472
Total Budgeted Funds	<u>1,170,116</u>	\$ <u>2,369,098</u>	\$ <u>1,198,982</u>
Non Budgeted Funds:			
Economic Development	<u>63,246</u>		
Total Cash Disbursements	\$ <u>1,233,362</u>		

CITY OF LEBO, KANSAS

GENERAL FUND
 STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET
 YEAR ENDED DECEMBER 31, 2011

	2010 Actual	2011 Actual	2011 Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS:				
Property Tax	\$ 108,375	\$ 100,096	\$ 100,276	(180)
Sales Tax	72,257	71,785	75,000	(3,215)
Motor Vehicle Tax	19,054	17,764	18,256	(492)
Intergovernmental Receipts	155,710	155,710	155,710	
Franchise Tax	25,621	25,864	25,000	864
Licenses and Fees	2,776	3,504	4,750	(1,246)
Swimming Pool	10,583	11,992	15,000	(3,008)
Fines	2,786	1,630	3,500	(1,870)
Reimbursements and other	2,549	22,143	1,500	20,643
Transferred In	35,000	30,000	35,000	(5,000)
Interest on Idle Funds	6,246	3,628	12,000	(8,372)
Total Cash Receipts	440,957	444,116	\$ 445,992	\$ (1,876)
CASH DISBURSEMENTS:				
General Administration:				
Personnel Services	32,394	29,183	28,000	(1,183)
Contractual Services	44,633	39,835	20,000	(19,835)
Commodities	12,982	18,469	15,000	(3,469)
Miscellaneous	5,716	8,341	21,000	12,659
Capital Outlay	7,690	2,500	214,000	211,500
	103,415	98,328	298,000	199,673
Law Enforcement				
Personnel Services	69,319	67,898	75,000	7,102
Contractual Services	8,021	8,367	20,000	11,633
Commodities	15,647	21,133	18,000	(3,133)
Capital Outlay	641		6,000	6,000
	93,628	97,398	119,000	21,601
Street Lights				
Contractual Services	13,020	13,551	15,000	1,449
	13,020	13,551	15,000	1,449
Streets				
Personnel Services			20,000	20,000
Contractual Services	5,028		90,000	90,000
Commodities			32,600	32,600
	5,028		142,600	142,600
Parks and Recreation				
Personnel Services	1,038	977		
Contractual Services	6,350	6,250	12,000	10,000
Commodities	8,211	9,699	5,000	5,000
Commodities- Other	7,692	11,438	11,000	13,000
Capital Outlay			5,000	5,000
	23,291	28,364	33,000	33,000
Infrastructure	155,409	96,748	155,710	155,710
	155,409	96,748	155,710	155,710
Swimming Pool				
Personnel Service	19,938	25,556	19,000	(6,556)
Contractual Service	1,578	1,450	3,000	1,550
Commodities	9,364	7,903	10,000	2,097
Commodities-concessions	1,997	2,868	3,500	632
Sales Tax	205	202	300	98
Capital Outlay		1,076	10,000	8,924
	33,082	39,055	45,800	6,745
Transfer Out	35,000	55,000	60,000	5,000
	35,000	55,000	60,000	5,000
Total Cash Disbursements	461,873	428,444	\$ 869,110	\$ 565,778
Receipts over (under) Disbursements	(20,916)	15,672		
CASH, BEGINNING BALANCE	398,589	377,673		
CASH, ENDING BALANCE	\$ 377,673	\$ 393,345		

CITY OF LEBO, KANSAS

ECONOMIC DEVELOPMENT FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL YEAR ENDED DECEMBER 31, 2011

	2010	2011
CASH RECEIPTS:		
Loan Payments	\$ 40,833	\$ 27,899
Interest Payments	<u>8,980</u>	<u>8,039</u>
Total Cash Receipts	49,813	35,938
 CASH DISBURSEMENTS:		
Contract Expenses	349	
Transfer Out		13,246
Economic Development Loan	13,000	50,000
Economic Development Investments	<u>28,000</u>	<u></u>
Total Cash Disbursements	41,349	63,246
 Receipts over (under) Disbursements	8,464	(27,308)
 CASH, BEGINNING BALANCE	<u>97,192</u>	<u>105,656</u>
 CASH, ENDING BALANCE •	\$ <u><u>105,656</u></u>	<u><u>78,348</u></u>

CITY OF LEBO, KANSAS

LAW ENFORCEMENT FUND

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET
YEAR ENDED DECEMBER 31, 2011**

	<u>2010 Actual</u>	<u>2011 Actual</u>	<u>2011 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
CASH RECEIPTS:				
County Tax	\$ <u>4,890</u>	\$ <u>749</u>	\$ <u>716</u>	\$ <u>33</u>
Total Cash Receipts	<u>4,890</u>	<u>749</u>	<u>\$ 716</u>	<u>\$ 33</u>
CASH DISBURSEMENTS:				
Capital Outlay	<u>17,000</u>	<u></u>	<u>36,441</u>	<u>36,441</u>
Total Cash Disbursements	<u>17,000</u>	<u></u>	<u>\$ 36,441</u>	<u>\$ 36,441</u>
Receipts (under) over Disbursements	(12,110)	749		
CASH, BEGINNING BALANCE	<u>23,785</u>	<u>11,675</u>		
CASH, ENDING BALANCE	\$ <u>11,675</u>	\$ <u>12,424</u>		

CITY OF LEBO, KANSAS

EMPLOYEE BENEFIT FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET

YEARS ENDED DECEMBER 31, 2011

	<u>2010 Actual</u>	<u>2011 Actual</u>	<u>2011 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
CASH RECEIPTS:				
Property and Vehicle Taxes	\$ <u>21,172</u>	\$ <u>38,127</u>	\$ <u>3,099</u>	\$ <u>35,028</u>
Total Cash Receipts	<u>21,172</u>	<u>38,127</u>	\$ <u><u>3,099</u></u>	\$ <u><u>35,028</u></u>
CASH DISBURSEMENTS:				
Employee Benefit	<u>30,875</u>	<u>33,283</u>	<u>39,750</u>	<u>6,468</u>
Total Cash Disbursements	<u>30,875</u>	<u>33,283</u>	\$ <u><u>39,750</u></u>	\$ <u><u>6,468</u></u>
Receipts (under) over Disbursements	(9,703)	4,844		
CASH, BEGINNING BALANCE	<u>11,590</u>	<u>1,887</u>		
CASH, ENDING BALANCE	\$ <u><u>1,887</u></u>	\$ <u><u>6,731</u></u>		

CITY OF LEBO, KANSAS

SPECIAL HIGHWAY FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET

YEAR ENDED DECEMBER 31, 2011

	<u>2010 Actual</u>	<u>2011 Actual</u>	<u>2011 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
CASH RECEIPTS:				
State Tax	\$ <u>24,547</u>	\$ <u>24,179</u>	<u>27,000</u>	\$ <u>(2,821)</u>
Total Cash Receipts	24,547	24,179	<u>27,000</u>	\$ <u>(2,821)</u>
CASH DISBURSEMENTS:				
Personnel Services	7,477	11,014	10,000	(1,014)
Contract Expense	126	5,380	10,765	5,385
Commodities	<u>15,694</u>	<u>4,345</u>	<u>8,000</u>	<u>3,655</u>
Total Cash Disbursements	<u>23,297</u>	<u>20,739</u>	<u>28,765</u>	\$ <u>8,026</u>
Receipts over Disbursements	1,250	3,440		
CASH, BEGINNING BALANCE	<u>2,706</u>	<u>3,956</u>		
CASH, ENDING BALANCE	\$ <u>3,956</u>	\$ <u>7,396</u>		

CITY OF LEBO, KANSAS

SPECIAL LIABILITY FUND

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET
YEAR ENDED DECEMBER 31, 2011**

	<u>2010 Actual</u>	<u>2011 Actual</u>	<u>2011 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
CASH RECEIPTS:				
Property and Vehicle Taxes	\$ <u>2,454</u>	\$ <u>1,919</u>	\$ <u>270</u>	\$ <u>1,649</u>
Total Cash Receipts	<u>2,454</u>	<u>1,919</u>	\$ <u><u>270</u></u>	\$ <u><u>1,649</u></u>
CASH DISBURSEMENTS:				
Contractual Services	<u>4,100</u>	<u>2,023</u>	<u>6,400</u>	<u>4,377</u>
Total Cash Disbursements	<u>4,100</u>	<u>2,023</u>	\$ <u><u>6,400</u></u>	\$ <u><u>4,377</u></u>
Receipts under Disbursements	(1,646)	(104)		
CASH, BEGINNING BALANCE	<u>5,289</u>	<u>3,643</u>		
CASH, ENDING BALANCE	\$ <u><u>3,643</u></u>	\$ <u><u>3,539</u></u>		

CITY OF LEBO, KANSAS

PARK AND RECREATION FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET

YEAR ENDED DECEMBER 31, 2011

	<u>2010 Actual</u>	<u>2011 Actual</u>	<u>2011 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
CASH RECEIPTS:				
Coffey County Receipt	\$ 42,868	\$ 37,868	\$ 37,867	\$ 1
Miscellaneous	<u>5,949</u>	<u>1,543</u>	<u>6,000</u>	<u>(4,457)</u>
Total Cash Receipts	48,817	39,411	<u>\$ 43,867</u>	<u>\$ (4,457)</u>
CASH DISBURSEMENTS:				
Personal Cost	4,328	7,264	9,000	1,736
Contractual Service	27,662	4,834	11,000	6,166
Commodities	6,897	19,140	8,868	(10,272)
Capital Outlay	<u>7,173</u>	<u>48,307</u>	<u>88,867</u>	<u>40,560</u>
Total Cash Disbursements	<u>46,060</u>	<u>79,545</u>	<u>\$ 117,735</u>	<u>\$ 38,189</u>
Receipts over (under) Disbursements	2,757	(40,134)		
CASH, BEGINNING BALANCE	<u>61,129</u>	<u>63,886</u>		
CASH, ENDING BALANCE	<u>\$ 63,886</u>	<u>\$ 23,752</u>		

CITY OF LEBO, KANSAS

CAPITAL IMPROVEMENT RESERVE FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL YEARS ENDED DECEMBER 31, 2011

	2010	2011
CASH RECEIPTS:		
Transferred from General	\$ 15,000	\$ 40,000
Total Cash Receipts	<u>15,000</u>	<u>40,000</u>
CASH DISBURSEMENTS:		
Total Cash Disbursements	\$ <u> </u>	\$ <u> </u>
Receipts over Disbursements	<u>15,000</u>	<u>40,000</u>
CASH, BEGINNING BALANCE	30,000	45,000
CASH, ENDING BALANCE	\$ <u><u>45,000</u></u>	\$ <u><u>85,000</u></u>

CITY OF LEBO, KANSAS

MUNICIPAL EQUIPMENT RESERVE FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL YEAR ENDED DECEMBER 31, 2011

	2010	2011
CASH RECEIPTS:		
Transferred from General	\$ 20,000	\$ 15,000
Total Cash Receipts	<u>20,000</u>	<u>15,000</u>
CASH DISBURSEMENTS:		
Total Cash Disbursements	\$ <u> </u>	\$ <u> </u>
Receipts over Disbursements	<u>20,000</u>	<u>15,000</u>
CASH, BEGINNING BALANCE	30,000	50,000
CASH, ENDING BALANCE	\$ <u><u>50,000</u></u>	\$ <u><u>65,000</u></u>

CITY OF LEBO, KANSAS

GAS FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET
YEAR ENDED DECEMBER 31, 2011

	<u>2010 Actual</u>	<u>2011 Actual</u>	<u>2011 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
CASH RECEIPTS:				
Sales - Customers	\$ 246,137	\$ 242,613	\$ 290,000	\$ (47,387)
Sales Tax	3,703	3,695	4,000	(305)
Interest Income	2,168	8	2,000	(1,992)
Reimbursed Expenses and Other Income	<u>344</u>	<u>4,789</u>	<u>5,500</u>	<u>(711)</u>
Total Cash Receipts	252,352	251,105	\$ <u>301,500</u>	\$ <u>(50,394)</u>
CASH DISBURSEMENTS:				
Personnel Services	48,764	51,794	61,300	9,506
Contractual Services	179,627	162,843	208,600	45,757
Commodities	8,065	13,538	5,000	(8,538)
Stored Gas Property Tax	250	68	600	532
Sales Tax and Other	3,597	6,533	6,000	(533)
Transfer	20,000	15,000	20,000	
Capital Outlay	<u></u>	<u></u>	<u>293,159</u>	<u>293,159</u>
Total Cash Disbursements	<u>260,303</u>	<u>249,776</u>	\$ <u>594,659</u>	\$ <u>339,883</u>
Receipts over (under) Disbursements	(7,951)	1,329		
CASH, BEGINNING BALANCE	<u>250,880</u>	<u>242,929</u>		
CASH, ENDING BALANCE	\$ <u>242,929</u>	\$ <u>244,258</u>		

CITY OF LEBO, KANSAS

WATER FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET

YEAR ENDED DECEMBER 31, 2011

	2010 Actual	2011 Actual	2011 Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS:				
Water Sales - Customer	\$ 209,629	\$ 211,187	\$ 209,805	\$ 1,382
Sales tax	704	752	1,000	(248)
Reimbursed Expenses and Other Income	1,443	3,815	1,800	2,015
Interest on Idle Funds	<u>1,254</u>	<u>4</u>	<u>3,000</u>	<u>(2,996)</u>
Total Cash Receipts	213,030	215,758	\$ 215,605	\$ <u>154</u>
CASH DISBURSEMENTS:				
Personnel	45,020	46,240	58,805	12,565
Contractual Services	109,015	115,162	104,000	(11,162)
Commodities	6,001	8,309	8,600	291
Debt Service	44,320	43,000	43,000	
Other	2,096	4,056	1,200	(2,856)
Capital Outlay	<u></u>	<u>8,320</u>	<u>133,710</u>	<u>125,390</u>
Total Cash Disbursements	<u>206,452</u>	<u>225,087</u>	\$ <u>349,315</u>	\$ <u>124,229</u>
Receipts over (under) Disbursements	6,578	(9,330)		
CASH, BEGINNING BALANCE	<u>130,668</u>	<u>137,246</u>		
CASH, ENDING BALANCE	\$ <u>137,246</u>	\$ <u>127,916</u>		

CITY OF LEBO, KANSAS

SEWER FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET YEAR ENDED DECEMBER 31, 2011

	2010 Actual	2011 Actual	2011 Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS:				
Sales - Customers	\$ 71,150	\$ 70,068	\$ 70,748	\$ (680)
Special Assessments	956	956	1,000	(44)
Interest Income	1,703		4,200	(4,200)
Total Cash Receipts	73,809	71,024	\$ 75,948	\$ (4,924)
CASH DISBURSEMENTS:				
Personnel Services	8,302	14,844	11,550	(3,294)
Contractual Services	1,877	1,439	5,000	3,561
Commodities	12,045	14,488	13,000	(1,488)
Capital Outlay			177,452	177,452
Debt Service	31,397	31,397	31,398	1
Transfer to General	15,000	15,000	15,000	
Total Cash Disbursements	68,621	77,169	\$ 253,400	\$ 176,231
Receipts over (under) Disbursements	5,188	(6,145)		
CASH, BEGINNING BALANCE	185,103	190,291		
CASH, ENDING BALANCE	\$ 190,291	\$ 184,146		

CITY OF LEBO, KANSAS

SOLID WASTE FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET
YEAR ENDED DECEMBER 31, 2011

	2010 Actual	2011 Actual	2011 Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS:				
Sales - Customers	\$ 52,190	\$ 53,781	\$ 55,000	\$ (1,219)
Total Cash Receipts	52,190	53,781	\$ 55,000	\$ (1,219)
CASH DISBURSEMENTS:				
Contractual Services	55,725	54,051	73,523	19,472
Total Cash Disbursements	55,725	54,051	\$ 73,523	\$ 19,472
Receipts under Disbursements	(3,535)	(270)		
CASH, BEGINNING BALANCE	21,962	18,427		
CASH, ENDING BALANCE	\$ 18,427	\$ 18,157		

CITY OF LEBO, KANSAS

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Basis of Presentation - Fund Accounting - The accounts of the City of Lebo, Kansas are organized on the basis of funds, each of which is considered a separate accounting entity.

The following types of funds comprise the financial activities of the City for 2011.

Governmental funds:

General fund - to account for all unrestricted resources except those required to be accounted for in other funds or account groups.

Special revenue funds - to account for the proceeds of specific revenue sources or to finance specified activities as required by law or administrative regulation.

Debt service funds - to account for the payment of interest and principal on long-term general debt obligation.

Proprietary funds:

Enterprise funds - to account for operations that are financed and operated in a manner similar to business enterprises, where the stated intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where periodic determination of revenues earned, expenses incurred, and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability or other purposes.

- b. Basis of Accounting - These financial statements are presented on a basis of accounting, which demonstrates compliance with the cash basis and budget laws of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund. Cash disbursements are recognized when the cash balance of a fund is decreased. For an interfund transaction, a cash disbursement is recorded in the fund from which the cash is transferred. Expenditures include disbursements and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract.

The municipality has obtained a GAAP waiver from the State of Kansas, which requires this type of special reporting.

- c. Departure from Generally Accepted Accounting Principles - The basis of accounting described above results in a financial statement presentation that shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets, such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance, are not presented. Under generally accepted accounting principles, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end did not constitute expenditures

or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. General fixed assets that account for the land, buildings, and equipment owned by the municipality are not presented in the financial statements. Also, general long-term debt such as general obligation bonds, temporary notes, and compensated absences are not presented in the financial statements.

- d. Budgetary Information - Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds and enterprise funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5.
3. Public hearing on or before August 15, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for the year ended December 31, 2011.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the cash basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

A legal operating budget is not required for capital project funds.

Spending in funds, which are not subject to the legal annual operating budget requirement, is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

- e. Comparative Amounts - The amounts shown for the year ended December 31, 2010 in the accompanying financial statements are included to provide a basis for comparison with 2011 and are not intended to present all information necessary for a fair presentation in accordance with generally accepted accounting principles.

2. DEPOSITS

At December 31, 2011 the carrying amounts of the City's deposits were \$1,249,993 and the bank balances were \$1,275,880. The differences between the carrying amount and the bank balances are outstanding checks and deposits in transit. The bank balance is covered by FDIC insurance and collateralized by pledged securities held under joint custody receipts issued by a third-party bank in the City's name.

3. TAXES

Property Taxes – The determination of assessed valuations and the collection of property taxes for all political subdivisions in the State of Kansas is the responsibility of the various counties. The County Appraiser annually determines assessed valuations and the County Clerk spreads the annual assessment on the tax rolls. The County Treasurer is the tax collection agent for all taxing entities within the county.

In accordance with state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the following year. Taxes are assessed on a calendar year basis and become a lien on the property on November 1 of each year. One-half of the property taxes is due December 20, prior to the fiscal year for which they are budgeted, and second half is due the following May 10.

Motor Vehicle Taxes – Since 1981 most motor vehicles became subject to a special tax paid at the time of registration instead of the traditional property tax. In 1995, the legislature enacted a five-year phase down in the assessment rate on motor vehicles for 30% to 20% of market value.

In 2011, the City received the following from county and state taxes:

	<u>General Fund</u>	<u>Law Enforcement</u>	<u>City Special Liability</u>	<u>Special Highway Fund</u>	<u>Employee Benefit Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>
Property Taxes	\$ 97,707	\$ 79	\$ 1,491	\$	\$ 35,033	\$	134,310
Motor Vehicle Taxes	20,152	670	428		3,094		24,344
Sales Taxes	71,786						71,786
Special Assessments						956	956
State Highway Aid				24,179			24,179
	<u>\$ 189,645</u>	<u>\$ 749</u>	<u>\$ 1,919</u>	<u>\$ 24,179</u>	<u>\$ 38,127</u>	<u>\$</u>	<u>255,575</u>

The mill levys for 2011 are as follows:

	2011	2010
General Fund	<u>21.704</u>	<u>23.813</u>

The assessed valuation for 2011 was \$4,587,085 and \$4,620,145 in 2010.

4. UTILITIES

The City provides water, sewer, gas and trash services. The City mails their utility bills between the 23rd and the 25th of each month. The utility bills are due by the 1st of the following month. Bills not paid by the 10th are subject to a late charge fee of 10%. If service is disconnected the customer shall pay said bill and penalty and further service charge in the sum of \$50 before turning the water back on.

The water rates for 2011 are as follows:

Inside City:

0-1,000 gallons	\$ 12.00
All above 1,000 gallons	\$ 8.50 per 1,000 gallons
Minimum bill	\$ 12.00

Outside City:

0-1,000 gallons	\$ 22.50
All above 1,000 gallons	\$ 9.25 per 1,000 gallons
Minimum bill	\$ 22.50

Wholesale

0-1,000 gallons	\$ 32.50
All above 1,000 gallons	Set by the City of Lebo

Any person making application for water service is required to make a deposit of \$75.

The sewer rates for 2011 are as follows:

\$14 for the first 1,000 gallons and \$.20 for each 1,000 gallons.

The trash rates for 2011 are as follows:

\$12 per month for residential solid waste removal.

The gas rates for 2011 are as follows:

\$4.20 per 1000 cubic feet over the cost of gas per 1,000 MMBTU and the transportation charges per month.

Any person making application for gas service is required to make a deposit of \$200.

5. LONG-TERM DEBT

The City's long-term debt is comprised of General Obligation Bonds, Series 2003 and the Kansas Water Pollution Control Revolving Fund.

General Obligation Revenue Bonds

General Obligation Revenue Bonds, Series 2003 issued in the amount of \$340,000 (\$40,000 and \$80,000 outstanding at December 31, 2011 and 2010) are to be retired in the year 2011. Principal payments will be paid annually on April 1, ranging from \$40,000 to \$25,000 and semi-annual interest will be payable on April 1 and October 1. Interest rates range from 2.80% to 3.90%.

Changes in Sewer Utility System Revenue Bonds, Series 1996:

Beginning Balance	\$ 80,000
Payments	<u>40,000</u>
Ending Balance	\$ <u>40,000</u>
Interest Payments	\$ <u>3,000</u>
Total Payments	\$ <u>43,000</u>

Payments subsequent to 2011:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	<u>40,000</u>	<u>1,560</u>	<u>41,560</u>
	\$ <u>40,000</u>	\$ <u>1,560</u>	\$ <u>41,560</u>

Kansas Water Pollution Control Revolving Fund

In July 2005, the City entered into a 20-year loan agreement with Kansas Department of Health and Environment for the construction of a sewer main extension. The total cost of the project was \$467,079.

The amount of the loan is up to \$467,079 (\$345,096 and \$365,465 outstanding at December 31, 2011 and 2010) bearing interest at a rate of 2.81%, principal and interest payments of \$15,699 made on a semi-annual basis beginning one year after the completion of the project.

Changes in Kansas Water Pollution Control Revolving Fund:

Beginning Balance	\$ 365,465
Payments	<u>20,369</u>
Ending Balance	\$ <u>345,096</u>
Interest Payments	\$ <u>11,029</u>
Total Payments	\$ <u>31,398</u>

Payments subsequent to 2011:

	Principal	Interest	Total
2012	\$ 20,997	\$ 10,401	\$ 31,398
2013	21,645	9,753	31,398
2014	22,312	9,086	31,398
2015	23,000	8,398	31,398
2016	23,709	7,689	31,398
2017	24,440	6,957	31,397
2018	25,193	6,204	31,397
2019	25,970	5,427	31,397
2020	26,771	4,626	31,397
2021	27,596	3,801	31,397
2022	28,447	2,950	31,397
2023	29,324	2,073	31,397
2024	30,229	1,168	31,397
2025	<u>15,462</u>	<u>237</u>	<u>15,699</u>
	<u>\$ 345,096</u>	<u>\$ 78,770</u>	<u>\$ 423,866</u>

6. CONTRACTS

In 1994, the City entered into a 40-year agreement with Public Wholesale District No. 12, (District) to buy a minimum amount of 3,000,000 gallons per month. The City is to pay the District \$ 3.42 per 1,000 gallons purchased. Starting January 2006, rate per 1,000 increased from \$3.45. In December 2007 there was another amendment to the contract between the City of Lebo and Coffey County RWD #3, the City of Lebo annexed customers of the City that are within the District's territory. In 2011 and 2010, respectively, the City purchased 26,507,000 and 23,977,0000 gallons from the Public Wholesale District.

In March 2009 the City entered in a contract with Steve's Trash to collect and dispose of solid waste inside the corporate City limits. The rate that the residential customers pay for service is \$11.75 per month.

The City has contracted with Maguire Iron Co, Inc. to provide maintenance on the 100,000 gallon water towers. The City's contract begins in the year 2013 and will be payable every other year in the amount of \$1,550.

7. COMPENSATED ABSENCES FOR EMPLOYEES

Full time employees of the City will be eligible for vacation and sick leave after six months of service. Eligible employees shall take at least 6 vacation days each year. An employee may carry-over vacation days to he next year, with a maximum carry-over amount allowance of 30 days.

<u>Years of Service</u>	<u>Per year</u>
0-9 years	1 day per month
10-19 years	1 ½ day per month
After 19	2 days per month

Full time employees will receive a maximum of 2 weeks (10 working days) paid sick leave per year. Sick leave is cumulative up to a maximum of 480 hours. On termination an employee will receive one sixth (1/6) a maximum of 80 hours accrued sick leave paid.

8. CONCENTRATIONS OF CREDIT RISK

The City is engaged in the sale of water, sewer, gas and trash to customers located in Coffey County in Kansas. The City grants credit to those customers and requires no collateral.

9. CAPITAL PROJECTS

The City spent the following on capital items in 2011:

BG Consultants, --Downtown street improvements	\$ 2,500
Maquire Iron,--Painting of the West water tower	49,690
Topeka Landscape,--Inground water system and landsc ape for the football field	31,007
Various Contractors,-- Batting Cage	7,808
Midland Fencing, -- Fencing for baseball fields	15,850
Kramer Engineering,--Bree Drive/Fauna Street project	30,756
Kramer Engineering,--Water Project	14,608
	<u>\$ 152,219</u>

10. COMPLIANCE WITH KANSAS LAW

References made herein to the statutes are not intended as interpretations of law, but are offered for consideration of the Director of Accounts and Reports and interpretation by the County Attorney and legal representatives of the City. There were no apparent statutory violations during the year ended December 31, 2011 for the funds that were part of this audit.

11. RELATED PARTY

The City has no related party transactions that they are aware of.

12. PENSION PLAN

The City has five employees that participate in the Kansas Public Employees Retirement System (System), a multiple employer public employee retirement system. The payroll for the employees covered by the System for 2011 and 2010 was \$178,607 and \$171,236, respectively and the City's total payroll for 2011 and 2010 was \$246,454 and \$230,786.

Covered employees are required by state statute to contribute 4% of their salary to the System. The City is required by statute to contribute 8.42% for 2011 and 2010 using the full funding method. The contribution requirement for the year ended December 31, 2011 and 2010, was \$22,433 and \$19,075, which consisted of \$7,846 and \$6,849 from the employee and \$14,587 and \$12,226 from the City.

13. INFRASTRUCTURE

The City has elected not to comply with Governmental Accounting Standard No. 34 (GASB 34) regarding the capitalization and tracking of infrastructure or capital assets.

14. RISK MANAGEMENT

The City is exposed to various risks of loss to torts, theft of, damage to, and destruction of assets, job-related injuries and illnesses to employees. To insure against the various risks, the City has obtained various insurance coverage through EMC Insurance Companies. See Schedule of Insurance for details.

15. COMMITMENTS AND CONTINGENCIES

The City is not involved in any litigation.

16. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 8, 2012, the date which the financial statements were available to be issued.

* * * * *

CITY OF LEBO, KANSAS

SCHEDULE OF SELECTED UTILITY STATISTICS YEAR ENDED DECEMBER 31, 2011

	2011	2010
WATER STATISTICS:		
Number of customers	426	462
Gallons sold	22,856,700	22,350,400
Gallons purchased	24,902,000	23,977,000
Water loss percentage	8.21%	6.78%
Average monthly usage per customer	4,471	4,031
Charges for service	\$ 211,187	\$ 209,629
Average customer charge per month	\$ 41.31	\$ 37.81

City of Lebo

SCHEDULE OF OTHER STATISTICS YEAR ENDED DECEMBER 31, 2011

	2011	2010
Population	940	940
Assessed Valuation	\$ 4,587,085	\$ 4,620,145
Mill Levy	29.802	29.141
Total Receipts	\$ 1,231,107	\$ 1,219,031
Total Disbursements	\$ 1,223,116	\$ 1,215,905
Bond Indebtedness	\$ 385,096	\$ 445,465
Receipts per Capita	\$ 1,310	\$ 1,297
Disbursements per Capita	\$ 1,301	\$ 1,294
Bond Indebtedness per Capita	\$ 410	\$ 474

CITY OF LEBO, KANSAS

INSURANCE IN FORCE YEAR ENDED DECEMBER 31, 2011

Policy Type	Expiration Date	Company	Annual Premium	Amount of Coverage	Description
General Liability	4/1/2012	Employers Mutual Casualty Company (EMCC)	\$5,303	1,000,000	Aggregate limit 100,000 Property damage limit 500,000 Personal injury limit 500,000 Advertising injury limit 5,000 Medical expense
Commercial Property	4/1/2012	EMCC	\$6,364	305,093	Building and personal property
Linebacker Coverage	4/1/2012	EMCC	\$1,273	500,000 1,000,000	Each loss Aggregate
Inland Marine	4/1/2012	EMMC	\$2,088		
Workers' Compensation	4/1/2012	EMCC	\$6,234	500,000 500,000 500,000	Bodily injury by accident Bodily injury by each employee Bodily injury by policy limit
Business Auto	4/1/2012	EMCC	\$2,069	500,000 500,000	Liability Uninsured motorists
Law Enforcement	4/1/2012	EMCC	\$750	500,000 100,000 5,000 1,000	Each loss Aggregate Medical Expense Deductible